

MARYSVILLE HOUSING COMMISSION
MARYSVILLE, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Marysville Housing Commission	County St. Clair
Fiscal Year End March 31, 2007	Opinion Date September 27, 2007	Date Audit Report Submitted to State October 4, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Report on Internal Controls and Compliance	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue		City Traverse City	State MI
		Zip 49686	
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA	License Number 11050

MARYSVILLE HOUSING COMMISSION
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Independent Auditor's Report

Board of Commissioners
Marysville Housing Commission
Marysville, Michigan

I have audited the accompanying basic financial statements of the business-type activities and the aggregate remaining fund information of the Marysville Housing Commission, Michigan, a component unit of the City of Marysville, as of and for the year ended March 31, 2007, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the Marysville Housing Commission, Michigan, as of March 31, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Marysville Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated September 27, 2007, on my consideration of Marysville Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 9, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise Marysville Housing Commission, Michigan's basic financial statements. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects, in all material respects, in relation to the basic financial statements taken as a whole.

Bary E. Sandell, CPA, PC

September 27, 2007

MARYSVILLE HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
March 31, 2007
(Unaudited)

As management of the Marysville Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Marysville Housing Commission's financial activities for the fiscal year ended March 31, 2007. This discussion and analysis letter of the Marysville Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transactions has actually taken place.

Financial Highlights

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of March 31, 2007 were \$3,361,219. The net assets decreased by \$37,428, a decrease of 1.1% from the prior year.

Revenues and contributions for the Commission were \$670,600 for the year ended March 31, 2007. This was an increase of \$164,440 or 32.5% from the prior year.

Expenses for the Commission were \$708,028 for the year ended March 31, 2007. This was a increase of \$16,748 or 2.4% from the prior year.

HUD operating grant subsidies were \$156,058 for the year ended March 31, 2007. This was an increase of \$17,928 or 13.0% from the prior year. Capital contributions for the Commission were \$155,166 for the year ended March 31, 2007. This was a increase of \$133,363 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

proprietary funds.

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Marysville Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income. The Housing Commission has 132 low rent units.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. Normally a Housing Commission has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies, but since the Housing Commission has less than 250 units they are permitted to use more than 20%. This program is the primary funding source for physical improvements to its properties.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$3,361,219 at the close of the year ended March 31, 2007 down from \$3,398,647 in 2006. The decrease in net assets of \$37,428 was due to the change in net assets for the year.

The unrestricted net assets were \$435,963 as of March 31, 2007. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

CONDENSED STATEMENTS OF NET ASSETS MARCH 31,

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>
Current and other assets	\$ 582,458	\$ 550,901	\$ 31,557
Capital assets	<u>2,925,256</u>	<u>2,966,130</u>	<u>(40,874)</u>
Total assets	<u>\$3,507,714</u>	<u>\$3,517,031</u>	<u>\$ (9,317)</u>
Current liabilities	<u>\$ 146,495</u>	<u>\$ 118,384</u>	<u>\$ 28,111</u>
Net assets:			
Invested in capital assets	2,925,256	2,966,130	(40,874)
Unrestricted net assets	<u>435,963</u>	<u>432,517</u>	<u>3,446</u>
Total net assets	<u>3,361,219</u>	<u>3,398,647</u>	<u>(37,428)</u>
Total liabilities and net assets	<u>\$3,507,714</u>	<u>\$3,517,031</u>	<u>\$ (9,317)</u>

FINANCIAL ANALYSIS (CONTINUED)

Current and other assets increased by \$31,557, in part, due to prepaid expenses being set up this fiscal year of \$22,248.

Current liabilities increased, in part, due to the account payable - PILOT increasing by \$19,247 and accrued utilities payable increasing by \$2,532 from the prior year.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. The decrease of \$40,874 in capital assets, is due to the depreciation expense of \$199,813, netted against net, capital outlays of \$158,939.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the following table total revenues and contributions increased by \$164,440, in part, due to the increase in tenant rents of \$7,683, interest income of \$6,600, and federal funding of \$151,291 from the prior year.

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS MARCH 31,

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>
Revenues and Contributions			
Dwelling rent	\$ 335,437	\$ 327,754	\$ 7,683
Nondwelling rent	1,201	1,539	(338)
Interest income	20,712	14,112	6,600
Other income	2,026	2,454	(428)
Gain on sale of fixed assets		368	(368)
HUD operating grants	156,058	138,130	17,928
Capital contributions	<u>155,166</u>	<u>21,803</u>	<u>133,363</u>
Total Revenues and Contributions	<u>670,600</u>	<u>506,160</u>	<u>164,440</u>
Expenses			
Personal services	246,801	222,762	24,039
Utilities	109,040	114,456	(5,416)
Operations and maintenance	78,727	86,728	(8,001)
Insurance	27,875	26,420	1,455
Payment in lieu of taxes	19,247	18,069	1,178
Other supplies and expenses	26,525	35,365	(8,840)
Depreciation	<u>199,813</u>	<u>187,480</u>	<u>12,333</u>
Total Expenses	<u>708,028</u>	<u>691,280</u>	<u>16,748</u>
Change in Net Assets	<u><u>\$ (37,428)</u></u>	<u><u>\$ (185,120)</u></u>	<u><u>\$ 147,692</u></u>

FINANCIAL ANALYSIS (CONTINUED)

Total expenses for the Commission increased by \$16,748, due in part, to increases in wages of \$18,468 and employee benefits of \$5,571. Cost of living increases, one employee had more hours this fiscal year than the prior year, and there was one new part-time employee added.

The following represents changes in Federal Assistance received:

<u>Program Source</u>	<u>03/31/07</u>	<u>03/31/06</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Public Housing Operating Subsidy	\$156,058	\$138,130	\$ 17,928	13.0%
Capital Fund Program	<u>155,166</u>	<u>21,803</u>	<u>133,363</u>	<u>611.7%</u>
Total	<u>\$311,224</u>	<u>\$159,933</u>	<u>\$151,291</u>	<u>94.6%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The Public Housing subsidy increased due to decreases in the incomes of our tenants. Capital Fund Program grants were used only for capital improvements. During the fiscal year ending March 31, 2007 several capital fund projects were completed compared to none in the prior fiscal year.

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ended March 31, 2007 was prepared.

OPERATIONAL HIGHLIGHTS

The Marysville Housing Commission provided 132 housing units to very low-income elderly and persons with disabilities during the fiscal year ending March 31, 2007. During the fiscal year ending March 31, 2007, the Marysville Housing Commission maintained a lease-up rate of 98.9% in its Public Housing Program. This lease-up rate is in line with HUD guidelines.

All CFP work for FFY's 2000-2005 have been completed. Under the 2006 CFP, the emergency generator has been replaced and all work attributable to the replacement of the fire alarm panel has been completed. Upgrading the fire alarm panel was a work activity started under the 2005 CFP. The balance of work activities under the 2006 CFP will be under contract by the first quarter of 2008. The remodeling of the Laundry Room is a significant undertaking that will benefit all residents and is expected to save costs by improving the efficiency of the dryers. It has been noticed that with rising construction costs and decreasing capital grant amounts, it has become necessary to delay the scheduling of capital improvements until sufficient funds are available.

There are no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position(net assets) or results of operations(revenues, expenses, and other changes in net assets).

CAPITAL ASSETS

Capital Assets - The Marysville Housing Commission's investment in capital assets, as of March 31, 2007 amounts to \$2,925,256 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION MARCH 31,

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>
Land	\$ 104,253	\$ 104,253	\$
Buildings	3,768,997	3,768,997	
Furniture, equip. & machinery-dwellings	77,918	77,918	
Furniture, equip. & machinery-admin.	112,679	111,306	1,373
Building improvements	<u>1,760,639</u>	<u>1,605,473</u>	<u>155,166</u>
	5,824,486	5,667,947	156,539
Accumulated depreciation	(2,899,230)	(2,701,817)	(197,413)
Total	<u>\$2,925,256</u>	<u>\$2,966,130</u>	<u>\$ (40,874)</u>

The total decrease in the Commission's capital assets for the current fiscal year was \$40,874 or 1.4% in terms of net book value. The capital expenditures during the current fiscal year included \$45,162 for roof work, \$1,000 for air conditioning and a heating unit replacement, \$46,393 for an emergency generator replacement, \$55,350 for a fire alarm system, \$3,143 twenty guest chairs, \$1,857 for community room lights, \$2,123 for a door detector, and other miscellaneous improvements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that the federal government will continue to provide us with the funding to continue to provide safe, sanitary, and decent housing to our residents.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Wayne P. Pyden, Executive Director
1100 New York Avenue
Marysville, Michigan 48040

FINANCIAL STATEMENTS

MARYSVILLE HOUSING COMMISSION
STATEMENT OF NET ASSETS
March 31, 2007
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ASSETS

Current Assets:	
Cash	\$ 227,553
Receivables	25,895
Investments-unrestricted	306,762
Prepaid expenses	<u>22,248</u>
Total Current Assets	<u>582,458</u>
Capital Assets:	
Land	104,253
Buildings	3,768,997
Equipment	190,597
Building improvements	<u>1,760,639</u>
	5,824,486
Less: accumulated depreciation	<u>(2,899,230)</u>
Net Capital Assets	<u>2,925,256</u>
Total Assets	<u>\$ 3,507,714</u>

See notes to financial statements

MARYSVILLE HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
March 31, 2007
=====

LIABILITIES and NET ASSETS

Current Liabilities:

Accounts payable	\$ 66,467
Tenant security deposit liability	28,994
Accrued expenses	20,903
Other current liabilities	29,733
Deferred revenues	<u>398</u>

Total Current Liabilities	<u>146,495</u>
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Net Assets:

Invested in capital assets	2,925,256
Unrestricted net assets	<u>435,963</u>

Total Net Assets	<u>3,361,219</u>
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Total Liabilities and Net Assets	<u>\$ 3,507,714</u>
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See notes to financial statements

MARYSVILLE HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

Year Ended March 31, 2007

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OPERATING REVENUES:

Dwelling rent	\$ 335,437
Nondwelling rent	<u>1,201</u>

Total operating revenues	<u>336,638</u>
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OPERATING EXPENSES:

Administration	144,129
Tenant services	1,564
Utilities	109,040
Ordinary maintenance and operation	196,664
General expenses	46,679
Extraordinary maintenance	12,787
Casualty losses	(2,648)
Depreciation	<u>199,813</u>

Total operating expenses	<u>708,028</u>
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Operating income(loss)	<u>(371,390)</u>
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NONOPERATING REVENUES:

Investment interest income	20,712
Other income	2,026
Operating grants	156,058
Capital grants	<u>155,166</u>

Total nonoperating revenues	<u>333,962</u>
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Change in net assets	(37,428)
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Net assets, beginning	<u>3,398,647</u>
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Net assets, ending	<u><u>\$ 3,361,219</u></u>
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See notes to financial statements

MARYSVILLE HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended March 31, 2007
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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 337,743
Cash payments to other suppliers of goods and services	(263,554)
Cash payments to employees for services	<u>(245,207)</u>
Net cash (used) by operating activities	<u>(171,018)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	143
Operating grants	156,058
Other revenue	<u>2,026</u>
Net cash provided by noncapital financing activities	<u>158,227</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	144,602
Payments for capital acquisitions	<u>(158,939)</u>
Net cash (used) by capital and related financing activities	<u>(14,337)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments decreased	183,199
Receipts of interest and dividends	<u>22,256</u>
Net cash provided by investing activities	<u>205,455</u>

Net increase(decrease) in cash	178,327
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Cash, beginning	<u>49,226</u>
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Cash, ending	<u><u>\$ 227,553</u></u>
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MARYSVILLE HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2007
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RECONCILIATION OF OPERATING INCOME(LOSS)
TO NET CASH PROVIDED (USED) BY
OPERATING ACTIVITIES:

Operating income(loss)	\$(371,390)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	199,813
Bad debt allowance change	(1,141)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	1,130
Prepaid expenses and other assets	(22,248)
Increase (decrease) in liabilities:	
Accounts payable	(530)
Accounts payable in lieu of taxes	19,247
Accrued wages/payroll taxes	1,594
Other current liabilities	2,532
Deferred revenues	(25)
Net cash (used) by operating activities	<u><u>\$(171,018)</u></u>

See notes to financial statements

MARYSVILLE HOUSING COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
March 31, 2007
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NOTE 1: Summary of Significant Accounting Policies

Marysville Housing Commission(Housing Commission) is a component unit of the City of Marysville, a Michigan home rule City. The Housing Commission is a Public Housing Agency created by the City of Marysville on January 18, 1977, consisting of a five member board appointed by the City Manager. The Commission was established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1(a) Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government: Marysville Housing Commission

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing commissions to modernize public housing developments.

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2(b) and 3(a).

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Budgets and Budgetary Accounting

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and

expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$500 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Building improvements	15 years
Furniture, equipment and machinery	3 - 7 years

Compensated Absences

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation time not taken shall not be accumulated and employees shall not be paid for any unused vacation time.
- * Sick leave may be accumulated not to exceed one hundred twenty (120) days. In no event shall an employee be paid for sick leave not taken.

Since there is not any accumulation of leave time allowed, there is no accrual for compensated absences needed.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets: All other net assets that do not meet the definition of "restricted" or "invested in capital

assets, net of related debt".

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

NOTE 2: Stewardship, Compliance, and Accountability

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows:

2(a) Program Accounting Requirements

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of HUD
Capital Fund Program	U.s. Department of HUD

2(b) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written collateral agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the fiscal year ended March 31, 2007, the Housing Commission complied in all material respects, with these revenue restrictions.

2(d) Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments

Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at March 31, 2007. The categories of credit risk are defined as follows:

Category 1: Insured by FDIC or collateralized with securities held by the Housing Commission(or public trust) or by its agent in its name.

Category 2: Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3: Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 1,311	\$ 1,311	\$	\$	\$ 501
Money market	202,847	202,847			202,847
Savings	24,105	24,105			24,105
Total Deposits	<u>\$ 228,263</u>	<u>\$228,263</u>	<u>\$</u>	<u>\$</u>	<u>\$227,453</u>

Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Notes 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at March 31, 2007. The categories of credit risk are defined as follows:

Category 1: Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2: Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3: Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	Custody Credit Risk				
	Category 1	Category 2	Category 3	Carrying Amount	Fair Value
Governmental securities	<u>\$306,762</u>	<u>\$</u>	<u>\$</u>	<u>\$ 306,762</u>	<u>\$306,762</u>

A reconciliation of cash as shown on the combined statement of net assets follows:

Carrying amount of deposits	\$ 227,453
Petty cash	100
Investments	306,762
Total	<u>\$ 534,315</u>
Cash and cash equivalents:	
Enterprise activities	\$ 535,125
Enterprise activities - checks written in excess of deposits	(810)
Total	<u>\$ 534,315</u>

3(b) Accounts Receivable

Receivables detail at March 31, 2007, is as follows:

HUD	\$	16,714
Tenant accounts receivable		231
Accrued interest receivable		<u>8,950</u>
	\$	<u>25,895</u>

3(c) Capital Assets

Capital asset activity for the year ended March 31, 2007 was as follows:

	<u>Balance</u> <u>03/31/06</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>03/31/07</u>
Low Rent Program				
Land	\$ 104,253	\$	\$	\$ 104,253
Buildings	3,768,997			3,768,997
Furniture, equip. & machinery - dwellings	77,918			77,918
Furniture, equip. & machinery - administration	111,306	3,773	(2,400)	112,679
Building improvements	<u>1,421,787</u>	<u>163,676</u>		<u>1,585,463</u>
	5,484,261	<u>\$ 167,449</u>	<u>\$ (2,400)</u>	5,649,310
Less accumulated depreciation	<u>(2,695,694)</u>	<u>\$ (199,585)</u>	<u>\$</u>	<u>(2,895,279)</u>
Total	<u>\$ 2,788,567</u>			<u>\$ 2,754,031</u>
Capital Fund Program				
Building improvements	<u>\$ 183,686</u>	<u>\$ 149,710</u>	<u>\$ (158,220)</u>	<u>\$ 175,176</u>
Combined Totals				<u>\$ 2,929,207</u>

3(d) Accounts Payable

Payable detail at March 31, 2007, is as follows:

Accounts payable - vendors	\$	10,186
Accounts payable - other government - PILOT		<u>56,281</u>
	\$	<u>66,467</u>

3(e) Interprogram Transactions and Balances

The Capital Fund Program did not transfer any funds to the Low Rent Program during the fiscal year ending March 31, 2007.

There were no interprogram receivables or payables.

NOTE 4: Other Information

4(a) Pension Plan

The Housing Commission has a Defined Contribution Pension Plan for all eligible employees. The Plan allows for participating employees to make contributions as well as the contributions made on their behalf by the Housing Commission. This plan only defines the amount contributed each year as a percent of gross wages (usually 3-5% annually). The total amount paid to the plan during the fiscal year ended March 31, 2007 was \$6,860.

4(b) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees, employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with the Michigan Insurance Alliance
b. Injuries to employees (workers' compensation)	Participates with the City of Marysville's plan.
c. Physical property loss and natural disasters	Purchased insurance with the Michigan Insurance Alliance
d. Health	Participates with the City of Marysville's plan.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4(c) Commitments and Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

SUPPLEMENTARY INFORMATION

MARYSVILLE HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM
 March 31, 2007
 =====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
ASSETS		
Current assets:		
Cash-unrestricted	\$ 198,559	\$
Cash-tenant security deposits	28,994	
Receivables:		
HUD		16,714
Accounts - dwelling rents	231	
Accrued interest receivable	8,950	
Investments-unrestricted	306,762	
Prepaid expenses and other assets	22,248	
Due to other programs	<u>10,564</u>	
Total current assets	<u>576,308</u>	<u>16,714</u>
Capital assets:		
Land	104,253	
Buildings	3,768,997	
Equipment	190,597	
Building improvements	<u>1,585,463</u>	<u>175,176</u>
	5,649,310	175,176
Less accumulated depreciation	<u>(2,895,279)</u>	<u>(3,951)</u>
Net capital assets	<u>2,754,031</u>	<u>171,225</u>
Total Assets	<u>\$ 3,330,339</u>	<u>\$ 187,939</u>

Totals

\$ 198,559
28,994

16,714
231
8,950
306,762
22,248
10,564

593,022

104,253
3,768,997
190,597
1,760,639
5,824,486
(2,899,230)

2,925,256

\$ 3,518,278

MARYSVILLE HOUSING COMMISSION
 COMBINING STATEMENT OF NET ASSETS
 BY PROGRAM (CONTINUED)
 March 31, 2007
 =====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 66,467	\$
Tenant security deposit liability	28,994	
Accrued expenses	20,903	
Other current liabilities	23,583	6,150
Deferred revenues	398	
Due to other programs	<u> </u>	<u>10,564</u>
Total current liabilities	<u>140,345</u>	<u>16,714</u>
Net assets:		
Invested in capital assets	2,754,031	171,225
Unrestricted net assets	<u>435,963</u>	<u> </u>
Total net assets	<u>3,189,994</u>	<u>171,225</u>
Total Liabilities and Net Assets	<u>\$3,330,339</u>	<u>\$ 187,939</u>

Totals

\$ 66,467
28,994
20,903
29,733
398
10,564

157,059

2,925,256
435,963

3,361,219

\$ 3,518,278

MARYSVILLE HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS BY PROGRAM**
 Year Ended March 31, 2007

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 335,437	\$
Nondwelling rent	<u>1,201</u>	<u> </u>
Total operating revenues	<u>336,638</u>	<u> </u>
OPERATING EXPENSES:		
Administration	144,129	
Tenant services	1,564	
Utilities	109,040	
Ordinary maintenance and operation	196,664	
General expenses	46,679	
Extraordinary maintenance	12,787	
Casualty losses	(2,648)	
Depreciation	<u>196,529</u>	<u>3,284</u>
Total operating expenses	<u>704,744</u>	<u>3,284</u>
Operating income(loss)	<u>(368,106)</u>	<u>(3,284)</u>
NONOPERATING REVENUES (EXPENSES) :		
Investment interest income	20,712	
Other income	2,026	
Operating grants	156,058	
Capital grants	<u> </u>	<u>155,166</u>
Total nonoperating revenues (expenses)	<u>178,796</u>	<u>155,166</u>
Change in net assets	(189,310)	151,882
Equity transfers	158,220	(158,220)
Net assets, beginning	<u>3,221,084</u>	<u>177,563</u>
Net assets, ending	<u>\$3,189,994</u>	<u>\$171,225</u>

Totals

\$ 335,437
1,201

336,638

144,129
1,564
109,040
196,664
46,679
12,787
(2,648)
199,813

708,028

(371,390)

20,712
2,026
156,058
155,166

333,962

(37,428)

3,398,647

\$ 3,361,219

MARYSVILLE HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM

Year Ended March 31, 2007

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 337,743	\$
Cash payments to other suppliers of goods and services	(263,554)	
Cash payments to employees for services	(245,207)	
Cash payments for in lieu of taxes	<u>-</u>	
Net cash (used) by operating activities	<u>(171,018)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Interprogram due from/payable	(10,564)	10,564
Tenant security deposits	143	
Operating grants	156,058	
Other revenue	<u>2,026</u>	
Net cash provided by noncapital financing activities	<u>147,663</u>	<u>10,564</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants		144,602
Payments for capital acquisitions	<u>(3,773)</u>	<u>(155,166)</u>
Net cash (used) by capital and related financing activities	<u>(3,773)</u>	<u>(10,564)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments decreased	183,199	
Receipts of interest and dividends	<u>22,256</u>	
Net cash provided by investing activities	<u>205,455</u>	
Net increase(decrease) in cash	178,327	
Cash, beginning	<u>49,226</u>	
Cash, ending	<u><u>\$ 227,553</u></u>	<u><u>\$</u></u>

Totals

\$ 337,743

(263,554)

(245,207)

(-)

(171,018)

143

156,058

2,026

158,227

144,602

(158,939)

(14,337)

183,199

22,256

205,455

178,327

49,226

\$ 227,553

MARYSVILLE HOUSING COMMISSION
 COMBINING STATEMENT OF CASH FLOWS
 BY PROGRAM (CONTINUED)

Year Ended March 31, 2007

=====

	Low Rent Program 14.850a	Capital Fund Program 14.872
	<u>14.850a</u>	<u>14.872</u>

RECONCILIATION OF OPERATING INCOME
 (LOSS) TO NET CASH PROVIDED(USED)

BY OPERATING ACTIVITIES:

Operating income(loss)	\$(368,106)	\$(3,284)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	196,529	3,284
Bad debt allowance change	(1,141)	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	1,130	
Prepaid expenses and other assets	(22,248)	
Increase (decrease) in liabilities:		
Accounts payable	(530)	
Accounts payable-PILOT	19,247	
Accrued wages/payroll taxes	1,594	
Other current liabilities	2,532	
Deferred revenues	(25)	
	<u>\$(171,018)</u>	<u>\$</u>
Net cash (used) by operating activities	<u>\$(171,018)</u>	<u>\$</u>

Totals

\$ (371,390)

199,813
(1,141)

1,130
(22,248)

(530)
19,247
1,594
2,532

(25)

\$ (171,018)

MARYSVILLE HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended March 31, 2007
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	Public and Indian Housing <u>Nonmajor - Direct Program</u>		
2007	Low Rent Public Housing	14.850a	\$ 156,058
	Public and Indian Housing <u>Nonmajor - Direct Program</u>		
2007	Capital Fund Program	14.872	<u>155,166</u>
	Total		<u>\$ 311,224</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

MARYSVILLE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2007

=====

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 198,559	\$
114	Cash-tenant security deposits	28,994	
100	Total cash	227,553	
	Receivables:		
122	A/R-HUD other projects		16,714
126	A/R-tenants-dwelling rents	231	
129	Accrued interest receivable	8,950	
120	Total receivables, net of allowance for doubtful accounts	9,181	16,714
	Current Investments:		
131	Investments-unrestricted	306,762	
	Other Current Assets:		
142	Prepaid expenses and other assets	22,248	
144	Interprogram due from	10,564	
	Total other current assets	32,812	
150	Total current assets	576,308	16,714
	Noncurrent Assets:		
	Fixed assets:		
161	Land	104,253	
162	Buildings	3,768,997	
163	Furn, equip & mach-dwellings	77,918	
164	Furn, equip & mach-admin.	112,679	
165	Building improvements	1,585,463	175,176
166	Accumulated depreciation	(2,895,279)	(3,951)
160	Total fixed assets, net of accumulated depreciation	2,754,031	171,225
180	Total noncurrent assets	2,754,031	171,225
190	Total Assets	\$ 3,330,339	\$ 187,939

Totals

\$ 198,559
28,994

227,553

16,714
231
8,950

25,895

306,762

22,248
10,564

32,812

593,022

104,253
3,768,997
77,918
112,679
1,760,639
(2,899,230)

2,925,256

2,925,256

\$ 3,518,278

MARYSVILLE HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2007

=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES AND EQUITY/NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 10,186	\$
321	Accrued wage/payroll taxes payable	20,903	
333	Accounts payable-other government	56,281	
341	Tenant security deposits	28,994	
342	Deferred revenues	398	
345	Other current liabilities	23,583	6,150
347	Interprogram due to		<u>10,564</u>
310	Total current liabilities	<u>140,345</u>	<u>16,714</u>
300	Total liabilities	<u>140,345</u>	<u>16,714</u>
	Equity:		
508.1	Invested in capital assets	<u>2,754,031</u>	<u>171,225</u>
508	Total equity	2,754,031	171,225
	Net Assets:		
512.1	Unrestricted net assets	<u>435,963</u>	
513	Total equity/net assets	<u>3,189,994</u>	<u>171,225</u>
600	Total Liabilities and Equity/Net Assets	<u>\$3,330,339</u>	<u>\$ 187,939</u>

Totals

\$ 10,186

20,903

56,281

28,994

398

29,733

10,564

157,059

157,059

2,925,256

2,925,256

435,963

3,361,219

\$ 3,518,278

MARYSVILLE HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2007

=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 335,437	\$
704	Tenant revenue-other	<u>1,201</u>	
705	Total tenant revenue	336,638	
706	HUD PHA grants	156,058	
706.1	Capital grants		155,166
711	Investment income-unrestricted	20,712	
715	Other revenue	<u>2,026</u>	
700	Total revenue	<u>515,434</u>	<u>155,166</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	95,693	
912	Auditing fees	4,600	
915	Employee benefit contributions-adm.	23,032	
916	Other operating-administrative	20,804	
	Tenant Services:		
924	Tenant services-other	1,564	
	Utilities:		
931	Water	37,725	
932	Electricity	35,059	
933	Gas	36,256	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	103,125	
942	Ordinary maint & oper-mat'ls & other	29,495	
943	Ordinary maint & oper-contract costs	39,093	
945	Employee benefit contributions- ordinary maintenance	24,951	
	General expenses:		
961	Insurance premiums	27,875	
963	Payments in lieu of taxes	19,247	
964	Bad debt-tenant rents	<u>(443)</u>	
969	Total operating expenses	<u>498,076</u>	
970	Excess operating revenue over operating expenses	<u>17,358</u>	<u>155,166</u>

<u>Totals</u>	
\$	335,437
	<u>1,201</u>
	336,638
	156,058
	155,166
	20,712
	<u>2,026</u>
	<u>670,600</u>

95,693
4,600
23,032
20,804

1,564

37,725
35,059
36,256

103,125
29,495
39,093

24,951

27,875
19,247
(443)

498,076

172,524

MARYSVILLE HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2007
=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	12,787	
972	Casualty losses-noncapitalized	(2,648)	
974	Depreciation expense	<u>196,529</u>	<u>3,284</u>
	Total other expenses	<u>206,668</u>	<u>3,284</u>
900	Total expenses	<u>704,744</u>	<u>3,284</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(189,310)	151,882
1104	Prior period adjustments, equity transfers and correction of errors	158,220	(158,220)
1103	Beginning Net Assets	<u>3,221,084</u>	<u>177,563</u>
	Ending Net Assets	<u>\$ 3,189,994</u>	<u>\$ 171,225</u>

Totals

12,787
(2,648)
199,813

209,952

708,028

(37,428)

3,398,647

\$ 3,361,219

**Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Board of Housing Commissioners
Marysville Housing Commission
Marysville, Michigan

I have audited the financial statements of the business-type activities of the Marysville Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2007, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated September 27, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Report on Internal Control over Financial
Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
Marysville Housing Commission
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated September 27, 2007.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Randy E. Taudits, CPA, PC

September 27, 2007

MARYSVILLE HOUSING COMMISSION

INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

MARCH 31, 2007

MARYSVILLE HOUSING COMMISSION
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MARCH 31, 2007

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**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Marysville Housing Commission

I have audited the financial statements of the Marysville Housing Commission ("Housing Commission") as of and for the year ended March 31, 2007, and have issued my report, thereon, dated September 27, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and our responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). Audit adjustments were not necessary.

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

Samy E. Zandell, CPA, PC

September 27, 2007

**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Marysville Housing Commission

I have audited the financial statements of the Marysville Housing Commission ("Housing Commission") as of and for the year ended March 31, 2007, and have issued my report, thereon, dated September 27, 2007. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

September 27, 2007

MARYSVILLE HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
March 31, 2007

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Tenant Files

We selected at random five(5) low rent tenant files to thoroughly test. The results are as follows:

We found the following errors in the documentation in the tenant files:

	<u># of Errors</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file or incorrect	0
3. Incorrect Verification of Income	0
4. Incorrect Verification of Expenses	0
5. Incorrect Verification of Assets	0
6. Inspection Report for fiscal year is missing or incorrect	0
7. Lease missing or incorrect	0
8. Application missing or incorrect	0
9. Copy of Photo I.D. missing	0
10. Copy of Proof of Social Security Number Verification missing	1
11. Worksheet for HUD-50058 missing or incorrect	0
12. Flat Rent/Income Based Rent Choice missing or incorrect	0
13. Notice of Rent Adjustment missing or incorrect	0
14. Criminal Background Check not done, not documented, or it was in the file	0
15. Declaration of 214 Status missing or incorrect	0
16. Check for Previous Eviction from Public Housing not done or incorrect	2
17. Annual Family Composition Review missing or incorrect	0
18. Annual Review missing or incorrect	<u>0</u>
Total	<u><u>3</u></u>

Out of a possible 90, there were 3 exceptions from this test. represents an exception rate of 4%.

MARYSVILLE HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
(CONTINUED)

March 31, 2007

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Tenant Files (continued)

Five tenant files were looked at and applicable to this review.

The following is a short summary of exceptions:

<u>File</u>	<u>Client Number</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
1	B101									
2	B203		x							
3	C105		x				x			
4	C206									
5	D107									
Number of Hits		<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>
Percentage of Hits		<u>0</u>	<u>40%</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20%</u>	<u>0</u>	<u>0</u>	<u>0</u>

LEGEND

1. No proper evidence that a criminal background check was conducted or it was in the tenant files. It may not be kept in the tenant files unless an appeal or hearing is pending.
2. Check for eviction from federal housing not conducted.
3. Proper Income/Expense/Asset verification not conducted or it was incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD-Form 9886, Release of Information/Privacy Act Notice not in the file or it was not properly completed for the fiscal year reviewed.
6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the tenant file.
8. The Housing Commission could not locate the missing documents.
9. The tenant was not eligible to participate in the program.

MARYSVILLE HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
(CONTINUED)

March 31, 2007

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Tenant Files (continued)

Auditor's Recommendation: It is recommended that the Marysville Housing Commission continue the process of correcting the tenant files where possible.

Auditor's Note: It should be noted that the exception rate for this program was extremely low. The staff at the Housing Commission should be commended on the tremendous job they are doing managing the tenant files.

MARYSVILLE HOUSING COMMISSION

ADJUSTING JOURNAL ENTRIES

March 31, 2007

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<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
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There were no adjusting journal entries.